

Message Text

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PAGE 01 BONN 14983 201810Z

41

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FM AMEMBASSY BONN

TO SECSTATE WASHDC PRIORITY 5198

C O N F I D E N T I A L BONN 14983

E. O. LL652: GDS

TAGS: TECH, TGEN, GW

SUBJECT: OFFSET: RESEARCH AND DEVELOPMENT/URANIUM
ENRICHMENT

REF: (A) STATE 206413, (B) BONN 14249, (C) STATE

196183, (D) BONN 14778, (E) BONN 14884

1. FRG TECHMIN CONFIRMS DR. SCHMIDT-KUESTER (S-K) VISIT
TO WASHINGTON WEDNESDAY, SEPTEMBER 25 FOR PROGRAM
OUTLINED IN REF C.

2. TECHMIN OFFICIALS ASSURED EMBASSY THAT S-K COULD
CONVEY OFFICIAL MINISTRY POSITION ON COAL
LIQUEFACTION COOPERATIVE R&D PROJECT MENTIONED PARA 4,
REF E. SHOULD USG WISH TO DISCUSS COOPERATION IN
OTHER COAL R&D, I.E. IN MINING TECHNOLOGY (WHICH UNDER
ECONOMICS MINISTRY), S-K COULD DISCUSS IN GENERAL TERMS
BUT WOULD BE UNABLE TO MAKE FIRM COMMITMENT.

3. S-K IS COMPETENT TO DISCUSS URANIUM PROCUREMENT
BUT WILL PROBABLY NOT BE PREPARED TO MAKE DEFINITIVE
RESPONSE TO LAST AEC PROPOSAL, WHICH STILL UNDER STUDY.

4. WHILE TECHMIN DID, AS ANTICIPATED, LINK
IMPLEMENTATION AND INTERPRETATION OF ARTICLES 4A AND
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PAGE 02 BONN 14983 201810Z

4B OF THE OFFSET AGREEMENT, IN EMBASSY JUDGEMENT THIS

LINKAGE WAS PRIMARILY NEGOTIATING PLOY (SEE PARA 9, REF D). PROMPT SUBMISSION OF ADDITIONAL DATA FORWARDED IN REF E INDICATES THAT NEGOTIATION OF OFFSET R&D WILL NOT RPT NOT BE DELAYED PENDING RESOLUTION OF ENRICHED URANIUM PROCUREMENT QUESTION.

5. IN DISCUSSIONS WITH TECHMIN OFFICIAL ON SEPTEMBER 20, HE CALLED PARTICULAR ATTENTION TO FACT THAT FRG INFORMAL MEMORANDUM OF SEPTEMBER 19 CONTINUES TO LIST PROJECTS AND PROCUREMENT PROPOSED IN BONN 9074. HE EXPLAINED THAT FRG DESIRES TO MAINTAIN ITS POSITION THAT THESE ALSO MEET OFFSET CRITERIA (SEE PARA 5, REF E), ALTHOUGH HE AWARE THAT MOST HAVE BEEN REJECTED BY USG.

6. RE: PARA 3 REF A. WE BELIEVE THAT THE FRG TECHMIN IS VERY SERIOUSLY INTERESTED IN ANY AND ALL OPPORTUNITIES TO EXPAND ITS S&T COOPERATION WITH THE US. IN OUR REPORTING SINCE THE FRG AGREED TO INCLUDE S&T COOPERATION UNDER THE OFFSET AGREEMENT, THE EMBASSY HAS HIGHLIGHTED THE KEY BARRIER TO THE PROGRAM PROPOSED BY THE USG, I.E. THE FAILURE OF THE FRG FINANCE MINISTRY TO PROVIDE THE TECHNOLOGY MINISTRY WITH DM 100 MILLION IN "NEW" MONEY TO EXECUTE THIS CONCEPT. ACCORDINGLY, THE TECHMIN HAS ATTEMPTED TO WIN USG ACCEPTANCE UNDER THE OFFSET OF ITS EXISTING COOPERATIVE PROJECTS WITH THE US AND FOR PROCUREMENT OF SCIENTIFIC EQUIPMENT FROM THE US AFTER JULY 1, 1973, THE EFFECTIVE DATE OF THE OFFSET AGREEMENT. WE HAVE REJECTED ALMOST ALL THESE PROPOSALS AS NOT FULFILLING THE "ADDITIONALITY" REQUIREMENT UNDER OFFSET. WE HAVE SENSED THAT THE TECHMIN EXPECTED, AND EVEN WELCOMED, THIS ACTION IN THE HOPE THAT THEY WOULD BE ALLOCATED NEW FUNDS FOR AGREED PROJECTS OF MUTUAL BENEFIT. ALTHOUGH WE SEE NO SIGN OF SUCCESS YET, AS REPORTED IN BONN 14884 AND BONN 14778, WE ARE CONTINUING TO URGE A MORE FORTHCOMING FRG RESPONSE AND HAVE RECOMMENDED THAT THE DEPARTMENT AND OTHER INTERESTED AGENCIES SUPPORT OUR EFFORTS BY HIGH-LEVEL PRESENTATIONS TO AMBASSADOR

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PAGE 03 BONN 14983 201810Z

HERMES, THE FRG CHIEF OFFSET NEGOTIATOR, DURING HIS VISIT TO WASHINGTON.

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